

**REPORT OF THE AUDIT OF THE  
FLOYD COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Paul Hunt Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Sheriff of Floyd County, Kentucky, for the year ended December 31, 2003.

We engaged Ross & Company, PLLC to perform the audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Floyd County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
FLOYD COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY  
Telephone (502) 499-9088  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FLOYD COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2003**

Ross & Company, PLLC has completed the Floyd County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

**Financial Condition:**

Excess fees increased by \$608 from the prior year, resulting in excess fees of \$58,298 as of December 31, 2003. Revenues decreased by \$101,431 from the prior year and expenditures decreased by \$102,039.

**Debt Obligations:**

Capital lease principal agreements totaled \$46,214 as of December 31, 2003.

**Report Comments:**

- The Sheriff Should Collect Money From The Fiscal Court That He Overpaid In Excess Fees
- Drug Abuse Resistance Education Program Expenses Should Be Paid From The DARE Account

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.





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The Honorable Paul Hunt Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Floyd County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

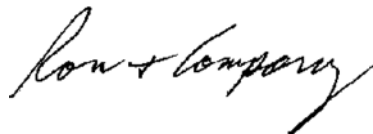
The Honorable Paul Hunt Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Collect Money From The Fiscal Court That He Overpaid In Excess Fees
- Drug Abuse Resistance Education Program Expenses Should Be Paid From The DARE Account

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Floyd County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company", written in black ink.

Ross & Company, PLLC

Audit fieldwork completed -  
January 31, 2005

FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

Federal Grants		\$	19,046
Federal Payments (Lake Patrol)			18,116
State - Kentucky Law Enforcement Foundation Program Fund			23,926
State Fees For Services:			
Finance and Administration Cabinet	\$	123,011	
Cabinet For Human Resources		<u>1,192</u>	124,203
Circuit Court Clerk:			
Sheriff Security Service	\$	31,461	
Fines and Fees Collected		<u>1,772</u>	33,233
Fiscal Court			106,778
County Clerk - Delinquent Taxes			8,076
Commission On Taxes Collected			311,391
Fees Collected For Services:			
Auto Inspections	\$	19,517	
Accident and Police Reports		1,712	
Serving Papers		49,186	
Carrying Concealed Deadly Weapon Permits		<u>7,905</u>	78,320
Other:			
Sheriff Add On Fees	\$	96,672	
Reimbursements		37,896	
Transporting		17,034	
Sequestered Jurors		684	
Miscellaneous		<u>121</u>	152,407
Interest Earned			3,860
Borrowed Money:			
State Advancement			<u>33,112</u>
Total Revenues		\$	912,468

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY  
 JOHN K. BLACKBURN, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	285,441	
Part-Time Salaries		4,914	
Other Salaries		186,374	
Overtime		22,799	\$ 499,528

Employee Benefits-

Employer's Share Social Security	\$	41,026	
Employer's Share KLEFPF Retirement		1,566	
Unemployment Insurance		5,756	48,348

Contracted Services-

Advertising	\$	145	
Accounting Fees		3,772	3,917

Materials and Supplies-

Office Materials and Supplies	\$	15,764	
Uniforms		14,419	30,183

Auto Expense-

Gasoline	\$	46,333	
Maintenance and Repairs		43,391	89,724

Other Charges-

Conventions and Travel	\$	2,679	
Dues		862	
Postage		2,243	
K-9 Unit Expense		635	
Bond		982	
Carrying Concealed Deadly Weapons		5,380	
Communications		1,378	
Training		692	
Transporting		1,026	
Drug Awareness Resistance Education Program Expenses		3,984	
County Collections		10,140	
Miscellaneous		404	30,405

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY  
 JOHN K. BLACKBURN, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-		
Vehicles		\$ 43,057
Debt Service:		
State Advancement		<u>33,112</u>
Total Expenditures		<u>\$ 778,274</u>
Net Revenues		\$ 134,194
Less: Statutory Maximum	\$ 72,860	
Training Incentive	<u>3,036</u>	<u>75,896</u>
Excess Fees Due County for 2004		\$ 58,298
Payments to Fiscal Court - January 26, 2004	\$ 60,000	
February 23, 2004	<u>1,421</u>	<u>61,421</u>
Balance Due Sheriff at Completion of Audit		<u><u>\$ (3,123)</u></u>

The accompanying notes are an integral part of this financial statement.

FLOYD COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



FLOYD COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Abuse Resistance Education Program Account

The Floyd County Sheriff maintains an account for Drug Abuse Resistance Education Program money. This money is to be used for drug education. The beginning balance in this account as of January 1, 2003 was \$40. There was no activity in this account during calendar year 2003.

FLOYD COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2003  
 (Continued)

Note 5. Drug Reinforcement Account

During 2003, under the terms stipulated by the United States Department of Justice and the Commonwealth of Kentucky, the Sheriff's office received proceeds emanated from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2003, this account had a balance of \$3,710. During 2003, funds of \$3,625 was received and \$342 was expended, leaving a cash balance of \$6,993 as of December 31, 2003, which is not available as excess fees. The account also has a receivable of \$3,123 for a fund balance of \$10,116.

Note 6. Drug Task Force Account

The Floyd County Sheriff maintains an account for a Drug Task Force to combat illegal drugs sold in the county. The fiscal court provided the revenue to support this program and the funds are used to purchase illegal drugs and pay informants. This is undercover work and there have been over 150 indictments since the program began. As of January 1, 2003, this account had a balance of \$3,513. During 2003, funds of \$7,509 were received and \$10,900 was expended, leaving a cash balance of \$122 as of December 31, 2003, which is not available as excess fees.

Note 7. Leases

The Sheriff's office was committed to the following lease agreements as of December 31, 2003:

Item Purchased	Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2003
Vehicles	\$ 19,557	48 months	12/15/2005	\$ 39,114
Vehicles	15,000	1 yr	12/31/2004	7,100

## COMMENTS AND RECOMMENDATIONS



FLOYD COUNTY  
JOHN K. BLACKBURN, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2003

The Sheriff Should Collect Money From The Fiscal Court That He Overpaid In Excess Fees

The Sheriff deposited \$3,123 in seized and forfeited funds into the fee account. The Sheriff paid the Floyd County Fiscal Court \$61,421 in excess fees for calendar year 2003. This amount included \$3,123 in funds that were seized by the Floyd County Sheriff's Department with 90% of these funds to be used by the Floyd County Sheriff's Department for direct law enforcement purposes and the balance of 10% being payable to the Office of the Floyd County Commonwealth Attorney. This money is not subject to excess fees. We recommend that the Floyd County Fiscal Court refund this money to the Sheriff's Department and this money then be dispersed properly.

*Sheriff's Response:*

*None*

Drug Abuse Resistance Education Program Expenses Should Be Paid From The DARE Account

The Sheriff paid Drug Abuse Resistance Education Program Expenses of \$3,984 from his official fee account. In *Funk vs. Milliken*, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend that in the future only expenditures necessary for the operation of the Sheriff's office be paid from the official fee account.

*Sheriff's Response:*

*None.*

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Fiscal Court Shall Set Maximum Salary Allowed For Deputies

*These comments were corrected.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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The Honorable Paul Hunt Thompson, Floyd County Judge/Executive  
Honorable John K. Blackburn, Floyd County Sheriff  
Members of the Floyd County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Floyd County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated January 31, 2005. This was a special report on the County Sheriff's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Floyd County Sheriff's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comment and recommendation.

- The Sheriff Should Collect Money From The Fiscal Court That He Overpaid In Excess Fees
- Drug Abuse Resistance Education Program Expenses Should Be Paid From The DARE Account

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Floyd County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
January 31, 2005

